

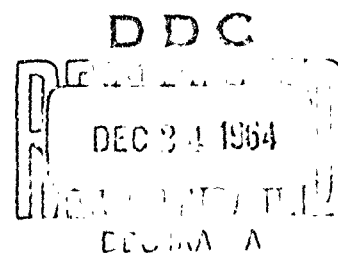
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## A THEORY OF BUREAUCRACY

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### I. Introduction

It is ironic that bureaucracy is still primarily a term of scorn, even though bureaus are among the most important institutions in every nation in the world. Not only do bureaus provide employment for a very significant fraction of the world's population (probably over 18 per cent of the U.S. work force, for example), but also they make critical decisions which shape the economic, political, social, and even moral lives of nearly everyone on earth. Yet economists and political scientists have largely ignored bureaucratic decisionmaking in constructing their theories of how the world operates.

In this paper, I shall attempt to describe a theory of bureaucratic decisionmaking aimed at achieving such predictability. My theory is based upon the fundamental hypothesis that bureaucratic officials, like all other agents in society, are motivated by their own self interests at least part of the time. Therefore, this theory follows the tradition of economic thought from Adam Smith forward, and is consistent with recent contributions to political science made

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by such writers as Simmel, Truman, Schattschneider, Buchanan, Tullock, Riker, Simon, and March.

## II. Definitions

Since <sup>1</sup> ~~caus~~ are a particular form of organization, the first step is to define an organization:

An organization is a system of consciously coordinated activities or forces of two or more persons which has been explicitly created to achieve specific ends.

An organization is a bureau if and only if it possesses the following four primary characteristics:

1. It is large; that is, the highest-ranking members know less than half of all the members personally.
2. A majority of its members are full-time workers who depend upon their employment in the organization for most of their incomes.
3. The initial hiring of personnel, their promotion within the organization, and their retention therein are at least theoretically based upon some type of assessment of the way in which they have performed or can be expected to perform their organizational roles, rather than upon either (a) ascribed characteristics (such as religion, race, or social class) or (b) periodic election by some outside constituency.
4. The major portion of its output is not directly or indirectly evaluated in any markets external to the organization by means of voluntary quid pro quo transactions.

Each of these characteristics contributes important elements to the particular nature of bureaus. Large size means that bureaus must develop relatively impersonal internal relations, and are faced with substantial administrative problems. Full-time employment means that bureau members are not dilettantes but are seriously committed to their jobs. It also implies that the bureau must compete for their services in the labor market. Personnel policies based upon role-performance mean bureau members are dependent upon their superiors for promotion, rather than upon some outside constituency. Such policies also imply that bureau members are motivated to shape their behavior so as to seek promotions because advancement is dependent upon their performance, not upon innate characteristics like sex, religion, or social caste. Non-market orientation means that bureaus are unable to use the objective monetary measure of profitability to evaluate the specific activities they undertake. It also means that even very large profit-making organizations (such as General Motors) are not bureaus, though parts of such organizations (such as the public relations department of Chevrolet) can be bureaus if their specific outputs cannot be evaluated in a market. Some more typical examples of bureaus covered by the theory are the Roman Catholic Church (except for the Pope, who is elected), the University of California, the Soviet central planning agency, the U.S. State Department, the New York Port Authority, and the Chinese Communist army.

Bureaucrats are not simply people who work for bureaus. Rather, I define a bureaucrat as any person who (1) works for a large

organization; (2) receives a money income from that organization which constitutes a major part of his total income; (3) is hired, promoted, and retained primarily on the basis of his role performance; and (4) produces outputs which cannot be evaluated on a market. This definition implies that a man can be a bureaucrat even if he works for a non-bureaucratic organization (such as Sears, Roebuck and Company) as long as his own output cannot be evaluated on a market (even though the value of his inputs can be so evaluated). In my analysis, the term "bureaucrat" is in no way derogatory, but because it is so universally regarded as an insult, I will use the more neutral term "official" to describe the type of person defined above.

### III. Central Hypotheses

The theory is based upon the following major hypotheses:

1. Officials (and all other agents in the theory) seek to attain their goals rationally; that is, in the most efficient manner possible, given their limited capacities and the cost of information. This means that all agents in the theory are utility maximizers. In practical terms, this implies that whenever the cost of attaining any given goal rises in terms of time, effort, or money, they seek to attain less of that goal, ceteris paribus; whereas whenever the cost of attaining a goal falls, they seek to attain more of it.

2. Officials in general have a complex set of goals including the following elements: power, income, prestige, security, convenience, loyalty (to an idea, an institution, or the nation), pride in excellent work, and desire to serve the public interest (as the individual

official conceives of it). However, different types of officials focus on smaller sets of these goals. In particular:

a. Purely self-interested officials are motivated entirely by goals which benefit themselves rather than their bureaus or society at large. There are two types of such officials:

1) Climbers seek to maximize their own power, income, and prestige. This can be done either by winning promotion to higher rank, increasing the status of their existing positions through aggrandizement, or "jumping" to new and better jobs elsewhere.

2) Conservers seek to maximize their own security and convenience. Since "security" is defined as maintenance of one's present level of power income, and prestige, conservers favor the status quo. They fear change because it might reduce their present prerogatives; hence they oppose innovations and change in general.

b. Mixed-motive officials have goals which combine self-interest and altruistic loyalty to larger values. The main difference between the three types of mixed-motive officials is the breadth of the larger values to which they are loyal. Thus:

1) Zealots are loyal to relatively narrow policies or concepts, such as the development of military airplanes by Billy Mitchell. They seek power both for its own sake and so they can effectuate the sacred policies to which they are loyal.

2) Advocates are loyal to a broader set of policies or to a broader organization (such as naval warfare or Harvard University). They are impartial in judging the merits of various proposals within the organization to which they are loyal, but highly partisan in supporting that organization in conflicts with "outsiders." The breadth of advocacy can vary widely, from a small section of a bureau (such as the economics department of a university) to a very broad bureau (such as the entire Defense Department).

3) Statesmen are loyal to the nation or society as a whole -- hence they resemble the "ideal" officials of public administration textbooks. However, like advocates and zealots, they seek power and prestige for personal as well as altruistic reasons, since they enjoy having an influence upon important policies.

3. The internal structure and behavior of every bureau is so closely related to its interactions with its external environment that neither can be explained without taking account of the other. Hence much of our analysis seeks to show what affects certain types of social functions and external environments have upon bureaus' internal operations, as well as how their internal operations affect their ability to perform their social functions (the usual approach to bureaucracy).

#### IV. The Environment

The world in which the officials in my theory operate is as realistic as I can make it. In this respect, it differs sharply from

the "perfectly informed" world of traditional economic theory, and more closely resembles the environments assumed by most political and sociological theorists. In particular, the following conditions prevail in this environment:

1. Information is costly because it takes time, effort, and sometimes money to obtain data and comprehend their meaning.

2. Decisionmakers have only limited capabilities regarding the amount of time they can spend making decisions, the number of issues they can consider simultaneously, and the amount of data they can absorb regarding any one problem.

3. Although some uncertainty can be eliminated by acquiring information, an important degree of ineradicable uncertainty is usually involved in making decisions.

Insofar as the basic institutional setting of this theoretical world is concerned, it can be either democratic, totalitarian, monarchical, traditionalist, or have any other form in which bureaus are likely to be found. As pointed out by Max Weber, bureaus probably require a money economy rather than a barter economy, but I place no other particular constraints on the type of society to which the theory applies. It is true that many of my examples are drawn from contemporary U.S. society, but that betrays only my own limitations, not those of the theory itself.

## V. A Compendium of Hypotheses

### A. The Nature of the Compendium

The analysis generated by this theory comprises a book of approximately 180,000 words. Unfortunately, condensing it to fit the



3,300-word limit imposed by the American Economic Association is beyond the present state-of-the-art of miniaturization. Since I have already used up about 1,800 words explaining the structure of the model, I have 1,500 left to set forth its applications -- or less than 1 per cent of the original. Therefore, I will merely present a few of the major hypotheses stemming from the model, denuded of all explanatory material. Some of these conclusions will seem obvious, since they resemble ideas already suggested by other theorists. Others will be more novel. The list will by no means include all the hypotheses arising from my theory, but will range over the various subject areas to illustrate what kinds of things the theory deals with.

B. "Laws" Connected with Bureaus

Some of my hypotheses appear universal enough to be classified as "laws," a la Parkinson. In order to distinguish them from other such generalizations, I have modestly included my own name in their titles. Hence Downs's Second, Third, Fourth, and Fifth Laws are as follows:

1. Unchosen but desirable alternatives have value. For example, many people will pay high rents in order to live near a university so that they can attend the many cultural events given there -- which they almost never actually attend.

2. Unrestrained conflict at any given of a hierarchical structure shifts power upwards. This applies to local governments in metropolitan areas vis a vis the federal government as well as within bureaus.

3. Any attempt to control one complex organization tends to generate another. Examples are the Bureau of the Budget and the General Accounting Office.

4. Requests for free services always rise to exhaust the capacity of the agency producing them. A corollary is that the producing agency will generate "quasi-prices" as a means of reducing the number of requests. These include long delays, demands for favors in return for the "free" service, and requirements for lengthy forms in order to "qualify."

#### C. Other Hypotheses

Some less universal hypotheses are as follows:

1. Officials inevitably distort information which they relay upwards to their superiors or downwards to their subordinates. Moreover, under many frequently-encountered conditions, these distortions tend to become cumulative rather than self-correcting as the number of hierarchical levels involved rises.

a. If a hierarchy has many levels, the officials at the top may receive a very inaccurate picture of what is actually going on at the bottom -- a picture which is overly optimistic and unduly reflects their own preconceptions and policy desires.

c. No one person ever knows everything that goes on in any large organization.

2. Officials also distort the orders they receive from their superiors, interpreting them to their own benefit (or the benefit of their bureau sections or sacred policies) as they develop the implications of those orders for their subordinates.

a. If cumulative distortion of this type occurs in a many-level hierarchy, the behavior of low-level officials may consist largely of actions completely unrelated to the goals of top-level officials, or the formal purposes of the bureau.

b. No human being can control all -- or even a very high percentage -- of even the official behavior of a large organization.

c. As a result, every top-level official realizes that significant amount of the behavior within his organization is irrational in terms of the organization's formal goals. Hence he fears thorough investigations by outsiders, and will go to great lengths to shape his behavior so as not to attract such investigations.

3. Redundant information channels and devices to by-pass intermediate levels in the hierarchy are both ostensibly inefficient, but they are necessary so that top-level officials can check on the amount of distortion occurring in "official" channels.

4. Because of the biases of officials who formulate policy alternatives, over any given time period bureaus will tend to select policies which are simpler, more conservative, narrower in their effects, and less cognizant of uncertainty than they would be if officials were unbiased. All of these effects will be accentuated for decisions made under high time-pressure.

5. All bureaus must have hierarchical authority structures, although the "flatness" or "tallness" of such structures can vary considerably. It is therefore fruitless to try to create large organizations wholly free from the tensions which are inherent in hierarchies.

6. Because it is so expensive to change the over-all behavior patterns of any large organization, inertia is a rational response to most suggestions of change made to any given bureau. The use of extensive rules is also a rational response to a bureau's problems of decision-making and communication. Hence much of the behavior for which bureaucrats are usually excoriated actually represents rational responses to the incentives facing them.

7. Each bureau attempts to stake out, defend, and expand a certain "territory" of policy related to its social functions. Because of numerous technical interdependencies with other bureaus, the boundaries of each bureau's territory are both unstable and ambiguous. Hence it is continually struggling with other bureaus and non-bureau social agents to establish its sovereignty in certain overlapping policy areas. Although such struggles often appear to be irrational manifestations of petty pride and jealousy, they may be highly rational attempts by the bureau to protect itself from excessive instability in its environment caused by unco-ordinated decisions made by other agents.

a. The desire to avoid such territorial battles may cause bureaus to formulate policies which are socially irrational because they are too narrow in scope.

b. On the other hand, if society does not put strong pressures upon bureaus to produce well-co-ordinated policies, they may avoid territorial battles by simply paying no attention to each other even though their policies are mutually interdependent.

8. The total amount of government services produced in a democracy tends to be both smaller in quantity and different in quality from what it would be if everyone were perfectly informed. However, this does not necessarily mean that the actual government budget is too small. That budget measures the amount of government inputs. It might be more than enough to produce the required expansion in outputs if people were perfectly informed, since government bureaus would perform far more efficiently under such conditions.

9. It is easier and less expensive to operate a bureau whose members have a high degree of goal-homogeneity than one whose members have highly divergent goals. Therefore, bureaus use selective recruitment, indoctrination, and ideologies to increase the degree of goal-homogeneity among their members. They prefer selective recruitment and ideologies to indoctrination, since it is both risky and expensive to alter the deep-level goals of members. In fact, indoctrination is so difficult that many bureaus avoid social functions requiring really deep-level consensus among their members. Some such functions are therefore never carried out by any bureaus (such as eliminating the "crime syndicate" from the U.S.).

10. Top-level officials of bureaus consider personal loyalty to be an important attribute among their immediate subordinates. Such loyalty is important because every top-level official is required to perform acts which would be extremely embarrassing if made public. Hence he needs subordinates whose discretion he can rely upon.

11. Bureaus have predictable life-cycles, except that once established, they rarely (within a given historical era) die. They come

into being through routinization of charisma, splitting off from an existing bureau, entrepreneurial development of a new idea by zealots initially outside any bureau, or creation ex nihilo by powerful social agents. As they grow older, they learn to be more efficient, develop more and more extensive rules and regulations, shift their goals from performing their functions well to maintaining their organizational structures, become increasingly subject to inertia, and expand the scope of their functions. As with politicians, few die and none retire.

#### D. Conclusion

My theory of bureaucratic decision-making has two major purposes:

- (1) to enable us to better understand the operation of bureaus, and
- (2) to enable us to make more accurate predictions about bureau behavior.

I hope the above-described hypotheses convey some idea of the way the theory attempts to achieve these goals. Perhaps it will also help rehabilitate the reputation of those vital but over-maligned pillars of society, bureaus and bureaucrats.